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FIRST MARITIME MINING CORPORATION

(NO PERSONAL LIABILITY)

FIFTEENTH ANNUAL REPORT

FOR THE YEAR ENDED DECEMBER 31ST, 1967



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First Maritime Mining Corporation Limited

(No Personal Liability)

DIRECTORS

LAWRENCE F. DALEY	-	-	-	-	-	Halifax, Nova Scotia
ROBERT J. ISAACS	-	-	-	-	-	Islington, Ontario
WALLACE D. MACAULAY	-	-				Saint John, New Brunswick
HUGH H. MACKAY	-	-	-	-	-	Toronto, Ontario
E. NEIL MCKELVEY	-	-	-	-		Saint John, New Brunswick
GORDON L. MOORE	-	-	-	-	-	Islington, Ontario
YVES PRATTE	-	-	-	-	-	Quebec City, Quebec

OFFICERS

ROBERT J. ISAACS	-	-	-			<i>President and General Manager</i>
GORDON L. MOORE	-	-	-	-		<i>Vice-President and Secretary</i>
KEITH A. WALKER	-	-	-	-	-	<i>Treasurer</i>
CHARLES B. BRANNIGAN	-	-	-	-	-	<i>Assistant Secretary</i>

TRANSFER AGENTS

GUARANTY TRUST COMPANY OF CANADA
TORONTO, ONTARIO AND MONTREAL, QUEBEC,
AND %
THE CENTRAL TRUST COMPANY OF CANADA
FREDERICTON, NEW BRUNSWICK.

BANKERS

THE BANK OF NOVA SCOTIA

AUDITORS

SNYDER, CRAIG & CO.
CHARTERED ACCOUNTANTS
Toronto, Ontario.

HEAD OFFICE

TOWN OF BATHURST, NEW BRUNSWICK.

EXECUTIVE OFFICE

SUITE 908 - 330 BAY STREET, TORONTO, ONTARIO.

MINE OFFICE

TILT COVE MINE: Tilt Cove, Newfoundland.
GULLBRIDGE MINE: Gull Pond, Newfoundland.

First Maritime Mining Corporation Limited

(No Personal Liability)

Directors' Report

To the Shareholders:

The Fifteenth Annual Report covering the Company's operations for 1967 is submitted for your consideration. The audited financial statements of the Company and of its wholly owned subsidiaries, Gullbridge Mines Limited and Tilt Cove Power Corporation Limited are included for the year ended December 31st, 1967.

The year 1967 was a difficult year for your Company. The loss sustained from shutting down the Tilt Cove mine, the financial drain created by bringing the Gullbridge Mine into production and the difficulty in reaching scheduled production all augmented in creating an extremely tight working capital position. However, your Directors feel that most of the Company's production problems have been overcome and the year 1968 should prove to be considerably brighter.

HOLDINGS IN OTHER COMPANIES

First Maritime Mining Corporation Limited, at date of this Report, owns in addition to the Tilt Cove mine and two groups of Mining Claims in the Province of New Brunswick, the following share interest in other Canadian Corporations.

	<i>No. of Shares</i>	<i>Percent of Issued Common Shares</i>
Gullbridge Mines Limited — Class "B"	2,500,000	100%
Gullbridge Mines Limited — Class "A"	500,000	100%
Newfoundland Gull Lake Mines Limited	3,645,005	100%
Tilt Cove Power Corporation Limited	500,000	100%
Brunswick Mining and Smelting Corporation Limited — Common	1,933,353	22.5%

FINANCIAL

Provision of additional funds to the Company through normal means was hampered by the inability to ship for six months of the year due to the geographical location and by the nature of the Companies' sales contracts which give rise to an extremely lengthy period between the production of concentrate and the final payment for the copper content and the fact that the Company's other marketable asset, namely, its shareholding in Brunswick Mining and Smelting Corporation Limited have been pledged to the Bank of Nova Scotia since 1962.

During 1967, the Companies' major operations consisted of the change-over of the mining from the Tilt Cove property to the Gullbridge mine, the former being closed down in mid-year. Operations during the year could not have been carried without the co-operation and support of the Companies' bankers and certain of its creditors. Some additional financing has now been arranged as described below.

During 1967 your Company advanced an additional \$1,528,251 to Gullbridge Mines Limited. This brings the total funds advanced to this Company to \$9,246,192. The Company's current liabilities, not including bank loans, are \$797,895. In order to retire some of these liabilities, your Directors, on March 21st, 1968, authorized the creation of \$1,000,000 Second Mortgage Convertible Debentures. These Debentures will bear interest at 8% per annum. They will mature on December 31st, 1973, and are

convertible into shares of the Company at any time before maturity at the average daily closing price for board lots of shares of the Company traded on the Toronto Stock Exchange over the three month period immediately preceding the date of conversion (or at that price less 10% at the option of the holder) or \$1.00 per share whichever is greater. The Company has the option of retiring these bonds at any time on thirty days' notice subject to prior conversion rights as set out above.

Kent Line Limited, under Agreement made April 11th, 1968 has agreed to purchase \$500,000 of the Second Mortgage Debentures. Gullbridge Mines Limited has guaranteed repayment of the principal and interest of the debentures, mortgaging its fixed assets and mining properties as collateral security for such guarantee.

THE TILT COVE MINE

The exploration work carried out since January, 1965, failed to locate any major ore occurrences which would prolong the life of the mine and it was necessary to shut down the Tilt Cove operations for lack of commercial ore during June 1967.

OPERATIONS

A comparison of earnings for the year under review and the preceding year is shown below.

	1967 (6 months)	1966 (12 months)
Tons ore milled	262,617	656,292
Tons concentrate produced	7,585	18,999
Copper in concentrate (lbs.)	3,062,000	8,020,200
Mine operating profit	\$ 34,018	\$ 569,826
Interest — net (12 months)	82,550	(129,778)
Net profit (loss) before depreciation and amortization	<u>\$ (48,532)</u>	<u>\$ 699,604</u>

SALE OF ASSETS

The disposal of the Company's assets at Tilt Cove has proceeded since the closing of operations. The sale of these assets and those of the Company's wholly owned subsidiary, Tilt Cove Power Corporation, should amount to slightly over \$1,000,000 of which \$800,000 should be realized during 1968.

GULLBRIDGE MINES LIMITED

Production of concentrates commenced at the Gullbridge property during January 1967. Output for the year averaged only 60% of rated mill capacity. The difficulty in getting the mine up to scheduled production of 2,000 tons per day was partly due to necessary suspension of mining in the No. Four stope during July and August to allow grouting of a water bearing seam, partly to difficulties encountered with the crushing equipment and partly to normal start-up problems.

DIRECTORS' REPORT (cont'd)

EARNINGS

Earnings for 1967 are set out in the accompanying financial statements. The Company showed an operating profit of \$867,979 before write-offs but after deducting \$1,191,102 for depreciation and amortization of mine pre-production expenditures, the net loss for the year amounted to \$323,123.

PRODUCTION

Production results for Gullbridge Mines Limited are shown below:

	<i>Year 1967</i>	<i>1st Quarter 1968</i>
Total tons treated	461,745	142,522
Average daily tonnage (360 days/year)	1,283	1,583
Average copper content (%)	0.935	1.07
Average copper recovery (%)	93.0	94.4
Tons concentrate produced	17,183	6,051
Average copper content (%)	23.3	23.9
Total pounds copper produced	8,000,369	2,892,192
Net pounds copper produced	7,656,709	2,771,172
Net pounds copper marketed	1,025,769	1,454,385
Net pounds of copper to be marketed	6,630,940	7,947,723
Average price of copper marketed	52.27¢	58.41¢

The average operating costs per dry ton of ore treated were as follows:

	<i>Year 1967</i>	<i>1st Quarter 1968</i>
Mining and development	\$ 1.580	\$ 1.809
Exploration195	.026
Stope preparation	1.379	.926
Milling	1.502	1.441
General and administration	1.541	.666
Total average	<u>\$ 5.697</u>	<u>\$ 4.868</u>

DEVELOPMENT AND EXPLORATION

Most of the diamond drilling necessary to outline the known ore zones was completed during 1967. Exploration work, due to lack of working capital, was limited to \$90,478.

ORE RESERVES

Total proven ore reserves at year's end, are estimated at 3,821,000 tons grading 1.02% copper after allowing for 10% dilution.

Prospects of discovering new ore below the present workings are considered good. Recent underground diamond drilling has located two copper bearing zones similar to the zones under development. Further work will be required to appraise their importance. There are also several targets along strike that warrant future investigation.

BRUNSWICK MINING AND SMELTING CORPORATION LIMITED

Your Company owns 1,933,353 shares of the Common stock of Brunswick Mining and Smelting Corporation Limited. Your directors consider your Company's holdings in these shares to be an excellent investment in spite of the operating difficulties encountered by Brunswick during 1967.

The large sulphide orebodies developed by Brunswick (now over 80 million tons) form a firm base for the development of a large mining, smelting and chemical complex, much of which is already in operation.

Noranda Mines Limited, during March 1967, entered into an arrangement to acquire majority interest in Brunswick through the purchase of 100,000 Preferred Shares at \$5.00 each and \$49,500,000 of ten year Income Bonds. Both the bonds and the Preferred Shares are convertible, at Noranda's option into Common shares of Brunswick Mining and Smelting Corporation Limited at \$5.00 per share and if converted will give Noranda 10,000,000 shares or 50% of the authorized capitalization. Noranda has assumed management of Brunswick and its wholly owned subsidiary, East Coast Smelting and Chemical Company Limited. Noranda's long experience in management of mines, smelters, refineries and acid plants should prove beneficial to Brunswick.

TILT COVE POWER CORPORATION LIMITED

The Tilt Cove Power Corporation's steam turbine plant, which supplied power to the Tilt Cove Mine, was also closed during June 1967 and is now being offered for sale.

BATHURST, NEW BRUNSWICK PROPERTIES

Due to lack of working capital during 1967, no further exploration work was done on the Company's Mining Claims in New Brunswick although they have been maintained in good standing.

ACKNOWLEDGEMENTS

Your Directors wish to acknowledge the co-operation and assistance of the Government of the Province of Newfoundland. They also again express their appreciation for the loyal and able services rendered during the year by the Mine Managers, Staff and Employees at the Tilt Cove Mine and the Gullbridge property.

On behalf of the Board of Directors,

R. J. ISAACS,

President.

Toronto, Ontario,

June 21, 1968.

First Maritime Mining

(No Person)

(Incorporated under the laws of the State of New York)

BALANCE SHEET

December 31, 1967

(with comparative figures for 1966)

ASSETS

	1967 \$	1966 \$
CURRENT		
Cash	1,416	15,484
Net estimated amount receivable from sale of mineral concentrates (Note 1)	274,407	1,161,614
Accounts receivable	767,575	67,714
Special refundable corporation tax	4,498	18,670
Prepaid expenses	4,004	16,004
	<u>1,051,900</u>	<u>1,279,486</u>
INVESTMENTS		
Shares in and advances to subsidiary companies (Note 2)	10,949,700	9,421,449 (a)
Shares in other companies (Quoted market value \$9,570,097 — 1966 \$18,366,854) (Note 3)	5,675,422	5,675,422
	<u>16,625,122</u>	<u>15,096,871</u>
FIXED		
Land, mining grants and mining licenses (Note 4)	120,002	1,341,576
Buildings, surface structures and equipment at net estimated realizable value (1966 at cost)	225,000	947,651
	<u>345,002</u>	<u>2,289,227</u>
MISCELLANEOUS AND DEFERRED		
Materials and supplies on hand, at net estimated realizable value (1966 at cost)	50,000	457,293
Mine development expenses	153,666	148,469
	<u>203,666</u>	<u>605,762</u>
	<u>18,225,690</u>	<u>19,271,346</u>

Approved on behalf of the Board:

R. J. ISAACS, Director.

G. L. MOORE, Director.

The Notes attached form an integral part of this statement.

Corporation Limited

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LIABILITIES

	1967 \$	1966 \$
CURRENT		
Bank overdraft	181,120	—
Bank loans, secured	3,051,625	3,060,375
Accounts payable and accrued liabilities	797,895	848,087
	<u>4,030,640</u>	<u>3,908,462</u>
LONG TERM		
6% Convertible debentures, due June 1, 1969 (Notes 5 and 6)	<u>2,500,000</u>	<u>2,500,000</u>
COMMITMENT		
(Note 7)		

SHAREHOLDERS' EQUITY

CAPITAL STOCK		
Authorized:		
7,000,000 Shares of \$1.00 par value (Notes 5 and 11)		
Issued:		
5,000,000 Shares	5,000,000	5,000,000
CONTRIBUTED SURPLUS		
Balance, end of year	8,638,072	8,638,072
DEFICIT		
Balance, end of year	(1,943,022)	(775,188) (a)
	<u>11,695,050</u>	<u>12,862,884</u>
NOTE: 1966 items above marked (a) have been restated for consistency in presentation due to the change set out in Note 8 of the Notes to the Financial Statements.		
	<u>18,225,690</u>	<u>19,271,346</u>

Submitted with our Report to the Shareholders dated April 12, 1968.

SNYDER, CRAIG & Co.,
Chartered Accountants.

rt of these Financial Statements.

330 BAY STREET

TORONTO
CANADA

To the Shareholders of

FIRST MARITIME MINING CORPORATION LIMITED,
(No Personal Liability)

Bathurst, New Brunswick.

We have examined the Balance Sheet of First Maritime Mining Corporation Limited (No Personal Liability) as at December 31, 1967, the Statements of Profit and Loss, Deficit and Source and Application of Funds for the year ended on that date, and the Notes to the Financial Statements. Our examination included a general review of accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

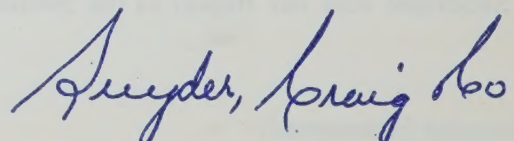
No audited financial statements of Newfoundland Gull Lake Mines Limited, a wholly-owned subsidiary, are available for fiscal periods up to and including December 31, 1967. We are therefore unable to express an opinion on the value of this investment.

Tilt Cove Power Corporation Limited, a wholly-owned subsidiary, ceased operations following the shutdown of the mine at Tilt Cove, Newfoundland. The assets of this company are available for sale but we are unable to estimate the proceeds that may be realized at a future date and are therefore unable to express an opinion on the value of your Company's investment.

Your Company's investment in Gullbridge Mines Limited, consists of shares costing \$1,303,746 and advances totalling \$9,246,192. The Company anticipates a return of its advances of approximately \$5,800,000 by the end of 1973 based on studies made and the presently known ore reserves. An estimate as to when a return of the balance of the capital investment may be expected cannot be made at this time.

Subject to the above limitations, in our opinion, the attached Balance Sheet, Statements of Profit and Loss, Deficit, Source and Application of Funds and the Notes to the Financial Statements present fairly the financial position of the Company as at December 31, 1967 and the results of its operations and the source and application of its funds for the year ended on that date. The Financial Statements have been prepared in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year except for the change mentioned in Note 8 of the Notes to the Financial Statements.

The extent of your Company's interest in and advances to subsidiary companies is set out in Note 2 of the Notes to the Financial Statements. The accounts of these subsidiaries have not been consolidated with, nor have any losses incurred by these subsidiaries been provided for in the accounts of the parent company. The amount of the loss incurred by Tilt Cove Power Corporation Limited since acquisition is approximately \$350 and by Gullbridge Mines Limited is \$882,469.



Chartered Accountants.

Toronto, Canada,
April 12, 1968.

First Maritime Mining Corporation Limited

(No Personal Liability)

STATEMENT OF PROFIT AND LOSS

For the year ended December 31, 1967

(With comparative figures for 1966)

	1967 Six months operations \$	1966 Twelve months operations \$
INCOME		
Gross metal production	1,557,164	4,507,141
Less: Marketing costs	262,751	671,209
Net metal production	1,294,413	3,835,932
OPERATING EXPENSES		
Mining	764,833	2,129,295
Milling	319,510	718,500
Mine general expenses	135,838	329,575
Administrative expenses	40,214	88,736
	1,260,395	3,266,106
NET PROFIT on operations before provision for depreciation	34,018	569,826
PROVISION FOR		
Depreciation of fixed assets	424,361	848,660
NET LOSS on operations for six months to June 30 (1966 twelve months)	390,343	278,834
MINE SHUTDOWN and expenses for six months to December 31		
Closing down and salvage expenses	160,691	—
Mine general expenses	51,835	—
Administrative expenses	75,838	—
	288,364	—
NET LOSS for the year before financial income and expense	678,707	278,834
FINANCIAL INCOME AND EXPENSE		
Interest on advances to a subsidiary	495,475	276,030 (a)
Profit or (loss) on foreign exchange	7,733	(28,560)
Profit or (loss) on hedging sterling funds	10,549	(4,615)
	513,757	242,855
Less: Interest on debentures	150,000	150,000
Other interest	281,207	222,633
	431,207	372,633
Net financial income	82,550	(129,778)
NET LOSS for the year	596,157	408,612 (a)

NOTE: 1966 items above marked (a) have been restated for consistency in presentation due to the change set out in Note 8 of the Notes to the Financial Statements.

First Maritime Mining Corporation Limited

(No Personal Liability)

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

For the year ended December 31, 1967

(With comparative figures for 1966)

	1967	1966
SOURCE OF FUNDS	\$	\$
Reduction of material and supplies	333,603	102,855
Mining tax adjustment	3,707	—
Sale of fixed assets and supplies	950,237	—
	<u>1,287,547</u>	<u>102,855</u>
APPLICATION OF FUNDS		
Net loss for the year	596,157	408,612 (a)
Depreciation of fixed assets	(424,361)	(848,660)
Write down of materials and supplies to net estimated realizable value	(73,690)	—
Funds applicable to operations	98,106	(440,048) (a)
Advances to subsidiaries	1,528,251	3,875,561 (a)
Purchase of fixed assets	5,757	29,879
Expenditures on non-producing properties	5,197	966
Reorganization expenses	—	1,100
	<u>1,637,311</u>	<u>3,467,458</u>
DECREASE IN WORKING CAPITAL		
Working capital deficiency, beginning of year	349,764	3,364,603
Working capital deficiency, end of year	<u>2,628,976</u>	<u>(735,627)</u>
	<u>2,978,740</u>	<u>2,628,976</u>

NOTE: 1966 items above marked (a) have been restated for consistency in presentation due to the change set out in Note 8 of the Notes to the Financial Statements.

STATEMENT OF DEFICIT

For the year ended December 31, 1967

(With comparative figures for 1966)

	1967	1966
	\$	\$
Balance, beginning of year	775,188 (a)	367,414 (a)
Add: Net loss for the year	596,157	408,612 (a)
Land and mining grants at Tilt Cove, Newfoundland, written down to nominal values	1,221,574	—
Reorganization expenses written off	—	1,100
	<u>1,817,731</u>	<u>409,712</u>
	<u>2,592,919</u>	<u>777,126</u>
Less: Credit arising on disposal of buildings and equipment less write down to net estimated realizable value (1966 profit on disposals)	646,190	1,938
Adjustment of prior years' mining taxes	3,707	—
	<u>649,897</u>	<u>1,938</u>
Balance, end of year	<u>1,943,022</u>	<u>775,188 (a)</u>

NOTE: 1966 items above marked (a) have been restated for consistency in presentation due to the change set out in Note 8 of the Notes to the Financial Statements.

First Maritime Mining Corporation Limited

(No Personal Liability)

NOTES TO FINANCIAL STATEMENTS

December 31, 1967

AMOUNT RECEIVABLE FROM SALE OF MINERAL CONCENTRATES

1. Mineral concentrates produced have been sold to an independent processor. Final determination of the amount receivable is reported to the Company by the processor in the fourth month following the placing of the mineral concentrate into process.

INVESTMENTS

	<i>Interest held (based on voting rights) %</i>	<i>Shares at cost \$</i>	<i>Advances \$</i>
2. Non-operating subsidiaries			
Newfoundland Gull Lake Mines Limited	100	230,623	—
Tilt Cove Power Corporation Limited	100	300,000	(130,861)
Operating subsidiary			
Gullbridge Mines Limited	100	1,303,746	9,246,192
		<u>1,834,369</u>	<u>9,115,331</u>
		9,115,331	
Per Balance Sheet		<u>10,949,700</u>	
3. Other companies			
Brunswick Mining and Smelting Corporation Limited (1,933,353 common shares having a quoted market value of \$9,570,097)	10.3	<u>5,675,422</u>	

LAND, MINING GRANTS AND MINING LICENSES

	<i>1967 at nominal values \$</i>	<i>1966 at cost \$</i>
4. These assets are comprised of:		
In the Province of Newfoundland:		
Land and surface properties	1	39,020
Mining and land grants at Tilt Cove, Green Bay District	1	1,182,556
In the Province of New Brunswick:		
	<i>at cost</i>	
2 Mining licenses in the Parish of Bathurst, County of Gloucester	<u>120,000</u>	<u>120,000</u>
Per Balance Sheet	<u>120,002</u>	<u>1,341,576</u>

6% CONVERTIBLE DEBENTURES

5. The 6% debentures, maturing June 1, 1969, are convertible on or before June 1, 1968 into shares of the Company at the rate of one share for each \$2.50 of principal. The debentures are secured by a first floating charge on the Company's assets and are redeemable at par plus accrued interest on thirty days' written notice to the registered holders thereof.
6. As at December 31, 1967, interest due June 1, 1967 and December 1, 1967 was unpaid and the Company is in default in payment of interest and also in payment of principal which becomes due if

interest is in default for a period of thirty days. As at December 31, 1967, no action had been taken by any of the debenture holders under the default provisions of the debentures.

COMMITMENT

7. The Company had indicated its support and future assistance to local educational institutions and subsequent to December 31, 1967, made a \$10,000 payment as part of a general undertaking amounting to \$40,000.

ACCOUNTING CHANGE

8. A change in accounting procedure has been made during the year in that interest has been charged on advances made to Gullbridge Mines Limited retroactive to January 1, 1964. Interest charges made for the four years were

1964 —	11,532
1965 —	90,132
1966 —	276,030
1967 —	495,475
	<hr/>
	873,169
	<hr/>

The 1966 figures in the Financial Statements have been restated to give effect to the above changes.

UNCONSOLIDATED FINANCIAL STATEMENTS

9. Unconsolidated Financial Statements of the Company and of its wholly-owned subsidiaries, Gullbridge Mines Limited and Tilt Cove Power Corporation Limited are being presented to the Company's shareholders because, in the opinion of management, such presentation is the most informative to shareholders.

TOTAL REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

10. Total remuneration paid or payable to directors and senior officers for 1967 was \$61,044.

TRANSACTION SUBSEQUENT TO DECEMBER 31, 1967

11. Under a letter agreement delivered to the Company by Kent Line Limited subsequent to December 31, 1967 and accepted by the Company, Kent Line Limited agreed to purchase \$500,000 of 8% second convertible debentures due December 31, 1973 which are to be created by the Company. Among other general provisions, the debentures are to be
 - (a) secured by a second floating charge on all the undertaking and assets of the Company
 - (b) convertible into shares of the Company up to December 31, 1972 at the greater of
 - (i) the average daily closing price on the Toronto Stock Exchange for three months preceding the date of conversion or such price less 10% or
 - (ii) one share for each \$1 worth of debentures
 - (c) redeemable at par plus accrued interest on thirty days written notice.

The Company has also undertaken to have its subsidiary, Gullbridge Mines Limited, guarantee payment of the second convertible debentures and execute a first mortgage and charge on its mining property, mining interests and fixed assets in the Province of Newfoundland.

FUTURE FINANCING

12. Falconbridge Nickel Mines Limited, under existing agreements, has the right to participate to the extent of one-third of any future financing which might be arranged by the Company but has waived its right to participate in the financing referred to in Note 11 above.

CHARTERED ACCOUNTANTS

330 BAY STREET

TORONTO
CANADA


To the Shareholders of

GULLBRIDGE MINES LIMITED,

Toronto, Ontario.

We have examined the Balance Sheet of Gullbridge Mines Limited as at December 31, 1967 and the Statements of Profit and Loss and Source and Application of Funds for the year ended on that date, and the Notes to the Financial Statements. Our examination included a general review of accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the attached Balance Sheet and Statements of Profit and Loss and Source and Application of Funds and the Notes to the Financial Statements present fairly the financial position of the company as at December 31, 1967 and the results of its operations and the source and application of its funds for the year ended on that date. The Financial Statements have been prepared in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year except that interest has been charged by First Maritime Mining Corporation Limited, retroactive to January 1, 1964, on advances made to the Company. This results in charges to Deferred Mine Development Account of \$377,694 and against current earnings of \$495,475.



Chartered Accountants.

April 12, 1968.

GULLBRIDGE M

(Incorporated under the laws of the Province of Newfoundland)

BALANCE SHEET

December 31, 1967
(With comparative figures for 1966)

ASSETS

	1967	1966
CURRENT	\$	\$
Cash	5,916	8,253
Net estimated amount receivable from sale of mineral concentrate (Note 1)	1,780,498	—
Accounts receivable	22,951	39,887
Prepaid expenses	7,136	13,146
	<u>1,816,501</u>	<u>61,286</u>
FIXED		
In the Province of Newfoundland:		
16 Fee simple mining grants at Great Gull Lake, at cost less accumulated amortization of \$6,742 (1966 at cost)	38,208	38,012
Buildings, surface structures and equipment, at cost less accumulated depreciation of \$544,835 (1966 at cost)	4,903,514	4,316,580
Construction in progress	—	523,810
	<u>4,941,722</u>	<u>4,878,402</u>
MISCELLANEOUS AND DEFERRED		
Material and supplies on hand and in transit, at cost	413,328	525,325
Mine development expenses less accumulated amortization of \$639,525	3,623,975	3,858,953
	<u>4,037,303</u>	<u>4,384,278</u>
	<u>10,795,526</u>	<u>9,323,966</u>

Approved on behalf of the Board:

R. J. ISAACS, Director.

G. L. MOORE, Director.

MINES LIMITED

(Incorporated under the Laws of Ontario)

STATEMENT OF FINANCIAL POSITION

As at December 31, 1967

(Figures for 1966)

LIABILITIES

CURRENT	1967 \$	1966 \$
Bank loan	500,000	—
Demand note payable	51,614	—
Accounts payable and accrued liabilities	1,089,645	1,268,734
	<u>1,641,259</u>	<u>1,268,734</u>
ADVANCES FROM PARENT COMPANY		
First Maritime Mining Corporation Limited	<u>9,246,192</u>	<u>7,261,930</u>

SHAREHOLDERS' EQUITY

CAPITAL STOCK

Authorized:

500,000 Class A cumulative, non-voting shares without par value, not to exceed in the aggregate \$500,000 and redeemable at not more than \$1 per share

3,000,000 Class B shares without par value, not to exceed in the aggregate \$3,000,000

Issued:

500,000 Class A shares (Note 2)	25,000	25,000
2,500,000 Class B shares	946,959	946,959
	<u>971,959</u>	<u>971,959</u>

DEFICIT

Balance, beginning of year	178,657	163,133
Add: Net loss for the year	882,469	—
Loss on disposal of fixed assets	2,758	15,524
Balance, end of year	<u>1,063,884</u>	<u>178,657</u>
	(91,925)	793,302
	<u>10,795,526</u>	<u>9,323,966</u>

The notes attached form an integral part of these Financial Statements.

Submitted with our Report to the Shareholders dated April 12, 1968.

SNYDER, CRAIG & CO.,
Chartered Accountants.

GULLBRIDGE MINES LIMITED

STATEMENT OF PROFIT AND LOSS

For the year ended December 31, 1967

INCOME	\$
Gross metal production	4,123,731
Less: Marketing costs	646,792
Net metal production	<u>3,476,939</u>
OPERATING EXPENSES	
Mining	1,460,250
Milling	692,477
Mine general expenses	398,650
Administrative expenses	57,583
	<u>2,608,960</u>
NET PROFIT on operations before provision for depreciation and amortization of fixed assets and mine development expenses written off	867,979
Amortization of mining property	6,742
Depreciation of buildings, surface structures and equipment	544,835
Mine development expenses written off	639,525
	<u>1,191,102</u>
NET LOSS on operations	<u>323,123</u>
FINANCIAL EXPENSES	
Interest on advances from parent company	495,475
Other interest	63,871
	<u>559,346</u>
NET LOSS for the year	<u><u>882,469</u></u>

GULLBRIDGE MINES LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

For the year ended December 31, 1967

(With comparative figures for 1966)

	1967 \$	1966 \$
SOURCE OF FUNDS		
Net loss for the year	(882,469)	—
Amortization of mining property	6,742	—
Depreciation of fixed assets	544,835	—
Mine development expenses written off	639,525	—
	<hr/>	<hr/>
Funds applicable to operations	308,633	—
Advances from parent company	1,984,262	3,710,470
Decrease in materials and supplies	111,997	—
	<hr/>	<hr/>
	2,404,892	3,710,470
	<hr/>	<hr/>
APPLICATION OF FUNDS		
Mine development expenses	377,695	1,540,741
Additions to fixed assets	644,507	2,676,493
Increase in materials and supplies	—	75,512
	<hr/>	<hr/>
	1,022,202	4,292,746
	<hr/>	<hr/>
Resulting in an increase (decrease) in working capital	1,382,690	(582,276)
Working capital, beginning of year	(1,207,448)	(625,172)
	<hr/>	<hr/>
Working capital, end of year	175,242	(1,207,448)
	<hr/>	<hr/>

NOTES TO FINANCIAL STATEMENTS

December 31, 1967

AMOUNT RECEIVABLE FROM SALE OF MINERAL CONCENTRATES

1. Mineral concentrates produced have been sold to an independent processor. Final determination of the amount receivable is reported to the company by the processor in the fourth month following the placing of the mineral concentrate into process.

DIVIDENDS IN ARREARS

2. Cumulative dividends at a fixed rate of five cents per share on Class A shares, all of which are owned by a wholly-owned subsidiary of First Maritime Mining Corporation Limited, are in arrears from January 1, 1953. In the event of liquidation, dissolution or wind-up of the Company, holders of Class A shares are entitled to receive for their shares \$1 per share plus unpaid dividends to date prior to any claims payable on the Class B shares, all of which are owned by First Maritime Mining Corporation Limited.

TOTAL REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

3. Total remuneration paid or payable to directors and senior officers for 1967 was \$55,597.

FUTURE COMMITMENT

4. Since December 31, 1967, the Company's parent, First Maritime Mining Corporation Limited, has undertaken that the Company will guarantee payment of \$500,000 8% second convertible debentures to be issued by First Maritime Mining Corporation Limited and as security will execute a first mortgage and charge on its mining property, mining interests and fixed assets in the Province of Newfoundland.

LOFTUS A. ALLEN & COMPANY

CHARTERED ACCOUNTANTS

SUITE 1910 - P.O. BOX 151
TORONTO DOMINION TOWER
TORONTO-DOMINION CENTRE
TORONTO 1, CANADA

TELEPHONE 363-8348
AREA CODE 416

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the balance sheet of
TILT COVE POWER CORPORATION LIMITED

as at December 31, 1967 and the statement of profit and loss for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. The Company did not provide any depreciation during the year.

In our opinion, these financial statements present fairly the financial position of the Company as at December 31, 1967 and the results of its operations for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.



Toronto, Ontario,
February 9, 1968.

Chartered Accountants

TILT COVE POWER CORPORATION LIMITED

(Incorporated under the Laws of Ontario)

BALANCE SHEET

As at December 31, 1967

ASSETS

CURRENT ASSETS

Cash	\$	3,137	
Stores and supplies		620	
Prepaid expenses		1,188	\$ 4,945

Advance to First Maritime Mining Corporation Limited			130,861
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FIXED ASSETS — at cost

Leased lands	\$	1	
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Buildings and plant

Site clearing and foundations	\$	71,906	
Building superstructure		49,234	
Machinery and equipment		724,598	
Offsite machinery and equipment		37,160	
Furniture, fixtures, tools and moveable equipment		870	

\$ 883,768

Less: Accumulated depreciation	676,609	207,159	207,160
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Organization Expense			785
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\$ 343,751

LIABILITIES

CURRENT LIABILITIES

Accounts payable			\$ 102,398
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SHAREHOLDERS' EQUITY

Capital

Authorized and Issued

500,000 Common shares without par value	\$	250,001	
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Deficit

Unchanged since December 31, 1962		8,648	241,353
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\$ 343,751

Approved on behalf of the Board

R. J. ISAACS, Director.

G. L. MOORE, Director.

TILT COVE POWER CORPORATION LIMITED

STATEMENT OF PROFIT AND LOSS For the year ended December 31, 1967

REVENUE

Power	\$ 120,271	
Steam	35,438	\$ 155,709

OPERATING EXPENSE

Bunker "C" Oil	\$ 102,488	
Wages	27,181	
Supplies and spare parts	13,577	
Miscellaneous operating expense	4,274	
Employee benefits	1,685	\$ 149,205

ADMINISTRATIVE AND GENERAL EXPENSE

Office maintenance and expense	\$ 3,121	
Travelling	145	
Insurance	3,047	
Taxes	85	6,398 155,603

OPERATING PROFIT \$ 106

FINANCIAL EXPENSE

Bank charges and interest	106
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NET PROFIT OR LOSS FOR THE YEAR \$ - 0 -

NOTE: The Company ceased operations in June, 1967.

